

# A Need For Change. . .

- 
- 
- 
- 
- 
- 
- 
- In 1998, Congress directed the U.S. Department of Education to appoint a student loan ombudsman. Despite numerous improvements in lending money to students, when it comes to repaying their loans there appeared to be no or little improvement in services to students. Both students and student advocates reported that there was massive confusion in the student lending programs and too many students encountered problems that never should have happened.



# The Development Team

- 
- 
- 
- 
- 
- As part of OSFA's transformation into a performance-based organization, an Ombudsman Development Team was established.

- The team consisted of Department of Education employees who provide student loan services now. The team was asked to recommend how an ombudsman could best operate within the new performance-based OSFA structure. The team researched the best practices of ombudsman offices now operating in agencies and corporations. They also asked students, schools, lenders, and other organizations what they expected from the OSFA ombudsman.



# Recommendations

• The Ombudsman Development Team recommended the following for the new OSFA ombudsman:

- Establish an office that can quickly and informally resolve borrower complaints.
- Work hand-in-hand with schools and the lending community to achieve solutions that are fair for students, as well as all other parties.
- Promote easy access for borrowers.
- Establish a complaint-cherishing system.
- Improve services to borrowers.
- Hire the best for the OSFA ombudsman.



# FROM: THE 1998 AMENDMENTS TO THE HIGHER EDUCATION ACT

## STUDENT LOAN OMBUDSMAN-

`(1) APPOINTMENT- The Chief Operating Officer, in consultation with the Secretary, shall appoint a Student Loan Ombudsman to provide timely assistance to borrowers of loans made, insured, or guaranteed under title IV by performing the functions described in paragraph (3).

`(2) PUBLIC INFORMATION- The Chief Operating Officer shall disseminate information about the availability and functions of the Ombudsman to borrowers and potential borrowers, as well as institutions of higher education, lenders, guaranty agencies, loan servicers, and other participants in those student loan programs.

`(3) FUNCTIONS OF THE OMBUDSMAN- The Ombudsman shall:

`(A) in accordance with regulations of the Secretary, receive, review, and attempt to resolve informally complaints from borrowers of loans described in paragraph (1), including, as appropriate, attempts to resolve such complaints within the Department of Education and with institutions of higher education, lenders, guaranty agencies, loan servicers, and other participants in the loan programs described in paragraph (1); and

`(B) compile and analyze data on borrower complaints and make appropriate recommendations.`

(4) REPORT- Each year, the Ombudsman shall submit a report to the Chief Operating Officer, for inclusion in the annual report under subsection (c)(2), that describes the activities, and evaluates the effectiveness of the Ombudsman during the preceding year.